



POLICY SUBMISSION

Submission to the Department of Social Welfare on the Review of the National Fuel Scheme

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Introduction

The aim of the Combat Poverty Agency is to work for change which will promote a fairer and more just, equitable and inclusive society by preventing and decreasing poverty and social exclusion and reducing inequality in Ireland. A key Agency role is to advise Government on all aspects of policy pertaining to poverty. It is in this context that the Agency is making this submission on the Review of the National Fuel Scheme being undertaken by the Department of Social Welfare. The Agency welcomes the opportunity to make a submission on the scheme and on the more general issue of fuel poverty. The submission is divided into three sections”

- 1) A review of fuel poverty and an outline of the broader energy efficiency issues that contribute to fuel poverty;
- 2) The role of the National Fuel Scheme in addressing the needs of low income groups;
- 3) General issues and recommendations.

1. A REVIEW OF FUEL POVERTY

1.1. What is Fuel Poverty?

Fuel poverty has been defined as ‘the inability to afford adequate warmth in the home’¹. It means paying substantially more than the national average for fuel and energy; living in temperatures lower than 18 degrees Celsius in winter, being forced to confine one’s activities to only one or two rooms, inability to install or run efficient means of heating; lack of information about energy-saving methods; inability to afford energy saving items in the home and lack of central heating. It also results in ill health, decline in maintenance of homes due to inadequate heating, pollution of areas where the main source of heat is coal and general energy waste because of inefficiency. In addition, for low income households, there is often an issue of debt for those who are not able over long periods of time to meet their fuel bills. For example, a survey of local authority house-dwellers in the Inner City² revealed that one third of the 101 families interviewed had arrears of ESB or gas, many of which had turned to money-lenders to prevent supply being cut off.

1.2. Factors which Contribute to Fuel Poverty

A number of contributory factors to fuel poverty have been identified³. These are:

- (a) lack of income
- (b) poor quality and inadequately insulated accommodation
- (c) reliance upon expensive heating appliances and/or expensive fuels
- (d) a greater need for warmth due to ill health, disability, old age or simply because of spending longer periods at home for example, due to unemployment or caring responsibilities.

¹Lewis, P. (1982) ‘Fuel Poverty Can be Stopped’ National Right to Fuel Campaign, Bradford.

²‘Your Right to Benefit’ : *A Report on the Welfare Rights Take-Up Campaign in Dublin’s Inner City*, Dublin Inner City Partnership, 1994.

³ Allamby, L. ‘Debt, Disconnection and Fuel Deprivation’, Paper presented to Conference on Fuel Poverty, North and South, Dublin, 1995.

Thus, while fuel allowances help to alleviate the excesses of fuel poverty they cannot in isolation deal with the lack of adequate insulation and draft-proofing together with inefficient heating systems.

1.3. Categories at Risk of Poverty

A number of specific categories of the population are at risk of fuel poverty. These have been identified⁴ as:

- people living in older houses
- people dependent on open fires without either back boilers or central heating
- people dependent on social welfare for their incomes, plus individuals and families on low pay.

These are the groups where measures to alleviate fuel poverty should be targeted. These households frequently forego the use of heating to save money leading to forms of deprivation such as:

- heating only one room
- staying in bed or wrapping up to stay warm
- eating cold food or take away foods
- keeping the heating on low or switching it off entirely⁵.

Evidence has shown that the energy needs of the poorest 25% of households in Ireland result in the highest percentage expenditure on fuel. Figures show that the average urban household spends 6.8% of their income on fuel and light while those in the lowest 25% of the income bracket spend 15.8%⁶.

1.4. Fuel Costs and Environmental Issues

Those who do experience fuel poverty rely much more heavily on solid fuel and electricity to provide heat in the home. These are two of the most expensive fuels available (see Table 1). For those who cannot afford to adequately heat their homes, the main form of heating is often supplemented with the use of portable electric fires which is the least efficient form of heat from a cost perspective.

In addition to the issue of cost, some consideration needs to be given to the impact that different fuels have on the environment. Table 1 shows that coal produces the most CO₂ into the atmosphere and, therefore, represents the least desirable from an environmental viewpoint.

⁴Harvey, B., (1995) *Fuel Poverty Policy Study*, Irish Energy Centre, (unpublished).

⁵Examples taken from a study by the Birmingham Settlement Community/Bristol Energy Centre on 'The Hidden Disconnected' (1993).

⁶Quinn, P., (1993) 'Energy and Equity', Fuel Poverty in Ireland, Dublin : HEAT.

TABLE 1 : COST PER UNIT OF FUEL TYPES AND CO₂ EMITTED PER UNIT		
Fuel Used	Cost per Unit of Heat	CO₂ Emitted per Unit
Coal in open fire	7.00p	1.27
Coal in open fire with back boiler	4.12p	0.75
Oil	3.58p	0.42
Natural Gas	5.49p	0.25
Electric fire	7.65p	0.88

Source : Scott, S. (1996) 'Social Welfare Allowances ... To Heat the Sky? ESRI Working Paper No. 74, Dublin.

1.5. The Rationale for Energy Efficiency

The standard of energy efficiency in the existing housing stock is very poor. From a low income perspective, the inefficiency of insulation in local authority housing, in particular needs to be addressed because of the additional fuel needs incurred by the low income families who live there. In Dublin Corporation alone⁷, 24% of Corporation rented dwellings rely on open fires only as the principal method of heating while a further 28% have open fires and back boiler only. Only 27% of households have full central heating.

Since 1992, Building Regulations lay down standards for adequate insulation. However, 96% of existing stock was built before this date⁸. This implies that a significant investment of capital is required to bring existing houses up to the standards outlined. HEAT (1995) outlined a major capital investment programme to bring heating and insulation standards in pre-1992 housing stock up to the standards of those houses built after 1992 with priority being given to hardest-to-heat housing in the most deprived areas. ***The Agency concurs with this and recommends the implementation of a capital investment programme to bring pre-1992 housing stock up to new insulation standards.***

1.6. Implementing an Insulation Service

The Agency supports the view that community businesses with qualified installers should be facilitated to undertake insulation work. Energy Action has undertaken work to address the thermal needs of the elderly through training of long-term unemployed people in home insulation techniques. This should be continued and supported. The Irish Energy Centre piloted an insulation scheme in 1995. It had a number of drawbacks in that it was restricted to the Dublin Corporation area and it did not specify standards for undertaking the work. In its 1995 Pre-Budget Submission⁹ the Agency recommended a programme of energy conservation for low-

⁷Taken from Keegan, O., Domestic Energy and Affordable Warmth : A Local Authority Housing Manager's Perspective, Paper Presented to HEAT Conference 'Paying the Price', 1995.

⁸Brennan, B., 'Housing Constitution and Maintenance', quoted in Watt, P. Submission from HEAT to the National Anti-Poverty Strategy, November 1995.

⁹'Bridging the Divide': A Submission to the Minister for Social Welfare on the 1995 Budget, Dublin : Combat Poverty Agency.

income groups which builds on the pilot work undertaken by the Irish Energy Centre. This work needs to be continued.

In developing a programme of energy conservation, Community Employment (CE) could be used to provide a valuable supply of labour for this programme. However, if this labour is used, the Agency proposes the need for progression to semi-professional qualifications for those participating. In this case, the Agency argues that Community Employment should be made full-time and extended beyond its twelve-month duration. The Special/Innovative Projects category of CE could be used as an appropriate mechanism. In addition, local partnerships funded through the Local Development Programme could play a role in this regard. Energy Action are supported by ADM as one of a number of selected organisations and represents one local resource for developing energy conservation work. Funding from the Local Development Programme, Energy Action as well as local authorities, health boards and the Department of Social Welfare could provide a basis for investment in community based insulation services.

The Agency advocates the development of an energy conservation programme which supports local projects and draws on the range of local resources to improve energy efficiency in low income houses.

1.7. Approaches to Energy Conservation

In relation to energy conservation a number of approaches need to be adopted to addressing fuel poverty. Work that needs to be undertaken ranges from :

- (a) basic insulation such as lagging jackets, attic insulation and draft-proofing to;
- (b) more advanced insulation such as cavity wall filling and dry lining to;
- (c) modernisation of heating systems with radiators run from gas, oil or solid fuel and the fitting of domestic heating controls.

The costs of undertaking some of these energy saving measures and their payback periods are presented in Table 2¹⁰. A short pay back period is obviously desirable for households who invest in energy conservation to recoup the expense paid in a shorter time. The table suggests that some of the items listed have a short pay back period as well as a relatively low cost. However, even these costs cannot be met by households dependent on welfare. ***The Agency recommends, therefore, that direct subsidies be made available for those in receipt of welfare to purchase basic insulation such as a lagging jacket.*** This would provide some assistance towards fuel efficiency.

Energy Saving Item	Cost	Pay back Period
Lagging jacket on hot-water tank	£5-£10	4 to 6 months
Attic insulation	£170-£280	3 to 4 years
Draught-proofing	£110-£190	3 to 10 years
Dry lining of walls	£1500-£3000	20+ years
Double glazing	£500-£3000	up to 50 years
Insulating curtains	£100	4 years

¹⁰Taken from Scott, S. (1996), *op cit*.

Low energy light bulb	£8-£15	1 to 2 years
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Source : Scott, S. *op cit.*

2. THE ROLE OF THE NATIONAL FUEL SCHEME

2.1. Income Support for Addressing Fuel Poverty

The National Fuel Scheme is an income support measure that caters for those who are dependent on long-term social welfare payments or health board payments and who are unable to provide for their own heating needs. The Fuel Allowance is a payment of £5 per week for low income households who undergo a means test. The scheme operates from mid-October to mid-April. An additional payment of £3 per week is payable to households living in areas where only smokeless fuels are permitted (Dublin City and County and Cork City).

The fuel allowance is a significant contributor to addressing the heating needs of those with very low incomes and in this respect represents an important intervention in addressing fuel poverty. Numbers of recipients and the net cost of the allowance to the Exchequer are presented in Table 3. The table shows that in 1995 there were almost 275,000 households dependent on the fuel allowance at a cost of IR£42.7 million. The table also shows the steady increase in the numbers availing of the allowance since its introduction with an increase of one-third in the total number of recipients between 1988 and 1995. In addition to the Fuel Allowance a payment is available towards the energy costs of particular social welfare claimants, most notably elderly claimants. This payment is dependent on the type of fuel used by the claimant and includes :

- free electricity (a certain amount of free electricity units are paid) or;

Year	Total Expenditure (£m)	Recipients (no.)	% Increase in Recipients
1988	25.862	205,634	N/A
1989	25.901	210,402	2.3%
1990	29.506	219,744	4.9%
1991	34.422	230,000	4.7%
1992	37.356	245,507	6.7%
1993	37.525	255,000	3.9%
1994	39.903	263,600	3.4%
1995	42.746	274,500	4.1%

Source: Department of Social Welfare (Statistical Reports 1988 - 1995)

- an allowance for natural gas (similar to the electricity scheme) or;
- a bottled gas allowance (the allowance is paid by way of vouchers each of which may be exchanged for a cylinder of gas).

This payment is, for the most part, designed to contribute to the cooking and lighting needs of low income households. It does not contain incentives for elderly people to increase their levels of energy efficiency through, for example, the introduction of more efficient heating systems or improved insulation.

2.2. The Operation of the National Fuel Scheme

The National Fuel Scheme plays an important role as a direct income support mechanism for the fuel poor. It, therefore, acts as a vital supplement to those who are dependent on social welfare payments at times when the need for additional resources for the purchase of fuel is greatest. However, in the view of the Agency, a number of issues concerning the operation of the scheme should be considered in the review. These relate to :

1. Adequacy
2. Eligibility
2. Administration
3. Effectiveness.

2.3. Adequacy

Adequacy relates not only to the Fuel Allowance but to the range of social welfare payments that households receive. ***The Agency recommends that one of the most important ways of eliminating fuel poverty is to ensure that everyone has a minimally adequate welfare payment.*** This is required to ensure that people who cannot take up employment opportunities have a dignified quality of life.

With regard to the adequacy of the National Fuel Scheme, since it was first made available in 1987 the rate of payment of the allowance has not increased. In fact, the real amount of the payment has decreased since 1987 when one takes inflation-proofing into account (£5.00 is equivalent to £6.09 in 1995-96 prices). In addition, the period of payment was reduced in 1987-88 from 30 weeks to 26 weeks. ***The Agency recommends that the weekly payment should be increased¹¹ and be index-linked to take account of the increasing costs of heating and the rate of inflation. Consideration should also be given to extending the duration of the scheme to 30 weeks.***

2.4. Eligibility

At present there are a number of categories of welfare recipient that are not in receipt of the fuel allowance. ***The Agency would argue that in the absence of adequate social welfare payments that the fuel allowance should have universal coverage for all recipients of social welfare.***

2.5. Administration of the Scheme

2.5.1. application

At present the payment of fuel allowances is made by two statutory agencies depending on where the applicant receives income support. Where individuals are in receipt of social welfare payments or pensions they must apply to the local Social Welfare Services Office. Those who receive health board payments must apply to the Community Welfare Officer. ***For ease of administration, the Agency recommends that the application process should be rationalised and that one method of application be used.***

2.5.2. means-testing

¹¹The estimated cost of every £1 weekly increase per person on the allowance is £8.4 million.

The terms of the scheme require claimants to undergo a means-test to ensure eligibility. The means-test does not take account of the particular needs of families with young children who are susceptible to colds or for unemployed households who have to spend significant parts of their day at home. The Controller and Auditor General's Report on means-testing recommended that there be a single means-test or a pooling of information on social welfare recipients. The Agency concurs that a further means-test is not necessary as claimants have already undergone means-testing to qualify for the welfare payment they receive. ***The Agency would, therefore, recommend that the means-test specifically for fuel allowances be abolished.***

2.5.3. payment

At present there are three ways in which the fuel allowance is paid. First, for those receiving a payment from the Department of Social Welfare (other than long-term Unemployment Assistance) or a social security pension from a country covered by EC Regulations, the allowance is paid by means of a book of payable orders that can be cashed each week at a Post Office. Applicants who receive long-term Unemployment Assistance are paid the fuel allowance directly in addition to their UA payment. Those who receive Health Board payments are paid directly by the Health Board. ***The Agency recommends that a single payment procedure should be agreed upon and paid automatically to each claimant as is the case with long-term Unemployment Assistance.***

2.6. Effectiveness of the Scheme in Addressing Fuel Poverty

The effectiveness of the national fuel scheme in addressing fuel poverty lies in its ability to address the issue of low income and to supplement low income with direct transfer of resources to those who need them. However, fuel poverty is determined by a range of factors as mentioned earlier. Without significant improvements in heating systems in local authority and other housing there will always be inefficiencies in the way in which fuel poverty is addressed. ***However, the Agency recommends that direct income support by way of a fuel allowance should be continued and integrated with other measures to provide a more targeted and effective approach.***

3. GENERAL ISSUES AND A SUMMARY OF RECOMMENDATIONS

3.1. Developing a Strategic Approach

In tackling fuel poverty, a number of strategic issues need to be considered in addition to the provision of income support to low-income households and in relation to energy efficiency as discussed in the sections above.

3.2. The Value of an Integrated Approach

Fuel poverty is a cross-cutting issue that has implications for health policy, housing policy, environmental policy as well as policies and measures relating to debt and arrears. At present, responsibility for these aspects of fuel poverty rest with a number of statutory and voluntary agencies including health boards, local authorities, groups like Energy Action and HEAT. ***The Agency recommends a co-ordinated response across the range of agencies and departments if fuel poverty is to be tackled effectively.*** Co-ordination would increase the likelihood of an integrated strategy across the range of issues; the efficiencies of heating systems, thermal conditions of housing, income levels and the cost of fuel.

The Agency believes that the National Anti-Poverty Strategy (NAPS) offers an opportunity for co-ordination across government departments. The NAPS presents a potential forum for the development of a focused approach to tackle fuel poverty.

The issue of fuel poverty, should, in the Agency's view, be included as one of the cross-cutting measure in the NAPS.

3.3. The Role of the Community and Voluntary Sector

In addition to the provision of community based insulation services, the voluntary sector can contribute to the development of an integrated approach to addressing fuel poverty. A significant step in this regard is ***to include representation of the voluntary and community sector on the Irish Energy Board, the board of the Irish Energy Centre which was established in 1994 under the auspices of the Department of Transport, Energy and Communications to look at energy conservation.***

3.4. Education and Awareness-Raising

If energy conservation is to be regarded as a serious issue there is a need to develop a programme of public education and awareness. However, evidence suggests that higher income, higher educated groups are more responsive to awareness campaigns than are low-income groups. ***The Agency, recommends that existing and future awareness campaigns on energy efficiency be targeted towards groups at risk of fuel poverty such as older people, those living in local authority housing and those dependent on social welfare.***

4. SUMMARY

This submission presents a number of recommendations in relation to improving the way in which the National Fuel Scheme is operated to make it more effective in addressing fuel poverty. It also highlights the wider issues that need to be addressed if fuel poverty is to be tackled effectively and efficiently. The underlying argument across the range of issues is the need to ensure that income support, capital investment in energy conservation and public awareness need to be considered together as elements of an integrated approach to addressing the problem of fuel poverty.

4.1. Recommendations on Energy Efficiency

1. The implementation of a capital investment programme to bring pre-1992 housing stock up to standard.
2. The development of an energy conservation programme which supports local projects and which seeks to improve energy efficiency in low income houses. The programme should be resourced through Community Employment which would be made full-time and awarded accreditation for training.
3. Investment in community-based insulation services by way of funding from the Local Development Programme, Energy Action as well as local authorities, health boards and the Department of Social Welfare.
4. Provision of direct subsidies for the purchase of a lagging jacket.

4.2. National Fuel Scheme Recommendations

1. Implementation of a minimally adequate welfare payment.
2. Increase of the weekly payment and this to be index-linked and the duration extended to 30 weeks.
3. Universal coverage for fuel allowances for all recipients of social welfare.
4. Rationalisation of application procedures.
5. Abolition of the means-test for fuel allowances.
6. A single payment procedure to be agreed upon and paid automatically to each claimant.

4.3. General Issues

1. Development of a co-ordinated response across the range of agencies and departments involved.
2. Inclusion of fuel poverty, as a cross-cutting measure in the National Anti-Poverty Strategy.
3. Representation of the voluntary and community sector on the Irish Energy Board.
4. Targeting of campaigns on energy efficiency towards groups at risk of fuel poverty.